

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF KENTUCKY )  
UTILITIES COMPANY AS BILLED FROM ) CASE NO. 98-056  
(A) AUGUST 1, 1996 TO JANUARY 31, 1997; )  
(B) FEBRUARY 1, 1997 TO JULY 31, 1997; AND )  
(C) AUGUST 1, 1997 TO JANUARY 31, 1998 )

O R D E R

On January 30, 1998, the Commission initiated three six-month reviews of Kentucky Utilities Company's ("KU") environmental surcharge as billed to customers for the following periods: (a) August 1, 1996 to January 31, 1997; (b) February 1, 1997 to July 31, 1997; and (c) August 1, 1997 to January 31, 1998.<sup>1</sup> Pursuant to KRS 278.183(3), the Commission must review, at six-month intervals, the past operations of the surcharge and, after hearing, disallow any surcharge amounts that are not just and reasonable and reconcile past surcharge collections with actual costs recoverable.

In anticipation that those parties to KU's first two-year review would desire to participate in this proceeding, the Attorney General's office ("AG"), Lexington-Fayette

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<sup>1</sup> Since KU's surcharge is billed on a two-month lag, the amounts billed from August 1996 through January 1997 are based on costs incurred from June 1996 through November 1996; amounts billed from February 1997 through July 1997 are based on costs incurred from December 1996 through May 1997; and amounts billed from August 1997 through January 1998 are based on costs incurred from June 1997 through November 1997.

Urban County Government, and the Kentucky Industrial Utility Customers ("KIUC") were deemed parties to this proceeding. A public hearing was held on April 21, 1998.

COLLECTIONS SUBJECT TO REFUND

On July 28, 1995, the Franklin Circuit Court entered a judgment on the appeal of the Commission's Orders in Case No. 93-465<sup>2</sup> establishing an environmental surcharge for KU. The Court vacated that portion of those Orders allowing KU to recover the current cost of environmental expenditures incurred before January 1, 1993, and remanded the case to the Commission. That judgment was appealed to the Kentucky Court of Appeals by KU, the Commission, and others. On December 5, 1997, the Court of Appeals reversed the Franklin Circuit Court decision concerning the current cost of environmental expenditures incurred before January 1, 1993. On December 24, 1997, the AG and KIUC filed motions for discretionary review of the Court of Appeals' decision, and KU filed responses to those motions on January 14, 1998. The motions for discretionary review are under submission before the Kentucky Supreme Court.

In its August 22, 1995 Order in Case No. 95-060,<sup>3</sup> the Commission made subject to refund all environmental surcharge revenues collected from that date pending the final determination in Case No. 93-465. In light of the continuing appeals process, KU

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<sup>2</sup> Case No. 93-465, The Application of Kentucky Utilities Company to Assess a Surcharge Under KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products.

<sup>3</sup> Case No. 95-060, The Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company as Billed from August 1, 1994 to January 31, 1995.

has indicated<sup>4</sup> and the Commission agrees that it is appropriate to continue the subject to refund provision.

### SURCHARGE ADJUSTMENT

In its January 30, 1998 Order, the Commission indicated that since each of the three periods under review in this proceeding may have resulted in over- or under-recoveries, the Commission would entertain proposals to adopt one adjustment factor to net all over- or under-recoveries. KU determined that for the three six-month review periods, it over-recovered its environmental costs by a cumulative \$66,233.<sup>5</sup> KU proposed that the cumulative over-recovery be returned to customers by reducing the environmental surcharge revenue requirement calculated in the first full billing month following the Commission's decision in this proceeding.

The Commission has reviewed and finds reasonable KU's calculation of a cumulative over-recovery of \$66,233 for the three six-month review period. The Commission also finds reasonable KU's proposal to reduce the environmental surcharge revenue requirement calculated in the first full billing month following the date of this Order by \$66,233.

IT IS THEREFORE ORDERED that:

1. KU shall deduct \$66,233 from the environmental surcharge revenue requirement determined in its next monthly surcharge report.

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<sup>4</sup> Transcript of Evidence, April 21, 1998, at 11.

<sup>5</sup> Willhite Direct Testimony at 3 and RLW Exhibit 1.

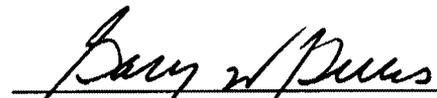
2. All surcharge revenues collected during the three six-month periods under review shall be subject to refund pending the final resolution of Case No. 93-465. KU shall maintain its records in a manner that will enable it, the Commission, or any of its customers to determine the amounts to be refunded and to whom due in the event a refund is ordered.

Done at Frankfort, Kentucky, this 2nd day of June, 1998.

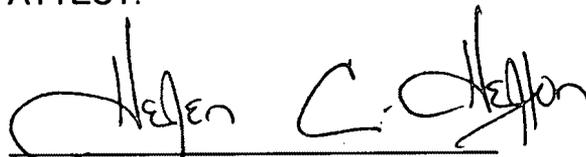
PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director